D. H. Baldwin Company Annual Report 1970

Total Sales and Revenues
$119,557,000·70
$90,258,000·69

Net Income
$5,023,000·70
$4,494,000·69

Earnings Per Share
$3.50·70
$3.86·69

Cash Dividends Per Share
$1.20·70
$1.20·69

D. H. Baldwin Company Annual Report 1970

For the 108th Year Ending December 31, 1970

Financial Highlights

D. H. Baldwin Company and Subsidiaries

	1970	1969	% of Change
Total sales and revenues	$119,557,000	$ 90,258,000	32.5
Total assets	618,693,000	549,408,000	12.6
Net sales	48,650,372	56,141,903	(13.3)
Net income for year*	5,023,729	4,494,479	11.8
Per common share*	3.50	3.86	(9.3)
Dividends paid on common stock	1,404,212	1,396,985	.5
Per common share	1.20	1.20	—

*Including net extraordinary credit in 1970 of $79,080 (equal to $.06 per share), net of tax.

Contents

Letter to Shareholders

Chairman Lucien Wulsin (left) and President Morley P. Thompson.

1970 was a record year for D. H. Baldwin Company. Total sales and revenues, and net income, reached all time highs. But the year has been anomalous as our country has had a recession during inflation, so during our period of corporate growth we have had steep declines in our music and electronics business. For a quick comparison of figures, see the cover, and Financial Highlights. With combined net income $5,023,729 in 1970, as compared with $4,494,479 in 1969 — an increase of 12% and the highest earnings ever reported by this Company — we were able to close our year with positive results and a forward looking attitude for 1971.

There were no preferred shares in 1969, but in 1970 preferred dividends to preferred shareholders were paid out in the amount of $925,379. Earnings applicable to common shareholders were $3.50 per share in 1970, compared with $3.86 per share in 1969, a decrease of 9%. These results were achieved under trying circumstances, and it is a tribute to the abilities of our associates in all aspects of our business that we are able to make such a report to you.

In other portions of this report you will find specific descriptions of what we were able to accomplish. It is clear that our growth took place in the area of Financial Services. Our gross revenues increased from $90,258,000 in 1969 to $119,557,000 in 1970. A portion of this growth is attributable to our investment in the National Farmers Union Service Company, which investment was reported to you in the beginning of 1970.

In addition, the Central Bank and Trust Company, the Empire Savings, Building and Loan Association and the D. E. Pedlow & Company, a financial service company specializing in the servicing of high quality home improvement loans, all contributed increases to our gross revenues and net earnings. As a part of our Financial Services Group, we have included the financing of our own musical instrument sales.

During the year 1970, we reduced our short term borrowings by $18,285,125. To achieve this, we sold to a consortium of banks $24,028,000 worth of our musical instrument paper, on December 29, 1970. We feel that this reduction in our short term liabilities materially improves the financial posture of the Company.

In our electronics activity, our sales declined by 20% from $6,479,000 in 1969 to $5,153,000 in 1970, and our earnings from $572,238 to $153,217. Included in these figures are the continued effects of starting up Quantrol Electronics in El Paso, Texas and Electron Emission Systems in Tucson, Arizona. The long term prospects for each are good, but both companies still represent a negative force in the Company's earnings. The business of Baldwin Electronics showed in 1970 the effects of a continued cut back in government procurement and also a slackening of commercial orders.

Our musical instrument business had its worst year since 1934. Our sales declined 12% from $49,663,000 in 1969 to $43,497,000 in 1970 and our earnings dropped from $558,286 in 1969 to $37,988 in 1970. The entire keyboard industry is under great pressure from rising costs, price competition, and declining sales.

The decline which began in 1969 has continued with only temporary upward fluctuations. Most consumer durables have been so affected. In our industry, this represents a decline in consumer confidence. The consumer had the money, but he was saving it and not spending it on major consumer items. The economic pressures on school budgets and capital spending have further aggravated a deteriorated market. In our case, a determined effort to reduce our inventories cut production even more than is reflected in our sales decline.

On December 30, 1970, President Nixon signed the one bank holding bill which can affect this Company. Under terms of the bill, companies that owned banks on June 30, 1968 are permitted to retain the banks and engage in activities in which they were engaged at that time. This Company had acquired the Central Bank and Trust Company by that date and is in our opinion "grandfathered." Further interpretation of the law and its applicability to this Company lie in the hands of the Federal Reserve Board and the courts. The law is complex; much latitude in its administration is given to the Federal Reserve Board. Certain guide lines have been put forward but to date no definitive regulations have been made. If divestiture is indicated, the Company has a ten year period until January 1, 1981 within which to act.

Since the last report, the following changes to strengthen the executive mangement have been made: Lucien Wulsin, Chairman of the Board; Morley P. Thompson, President; R. S. Harrison, Vice President and Treasurer; James E. Schwab, Assistant Treasurer; and Donald E. Waggoner, Assistant Secretary.

The dramatic reduction in the prime rate, and the decision to increase the national supply of money and credit point to improved business conditions in 1971 and to our improvement in operating results in 1971. Our production cuts to reduce inventory in our music business are behind us. We have moved to achieve greater liquidity in our financial posture. We have weathered the storm of 1970 and are stronger for the test. The people featured in this report are the key managers of the Company's activities. On them rests the responsibilities for the continued success of your Company.

Respectfully,

Lucien Wulsin

Chairman

March 15, 1971

From left, Central Bank's Executive Vice President R. J. Nelson, Chairman Max G. Brooks and President Donald H. Hoffman.

Combined profits from Financial Services in 1970 totaled $4,753,000, a 41% increase over the $3,363,000 earned in 1969. These results are due in large measure to the experience, balance and ability of the Company's management in banking, savings and loan and insurance activities in and around Denver, Colorado.

Also contributing, of course, is the continuous growth of metropolitan Denver, where the population is expected to increase 35% by 1980, compared with a 15% growth for the U. S. as a whole. Most of this growth comes from people moving into the area to take advantage of Colorado's employment opportunities and recreational activities. The population over the last two decades has been characterized by steady growth, concentration in the suburbs, and decline in the average age of the population.

Both of Baldwin's banking subsidiaries — Empire Savings, Building and Loan Association and Central Bank and Trust Company — are highly responsive to the needs of this growing market.

Empire Savings Broadens Market Coverage

Empire's position in the 11 counties served by its 13 offices was strengthened in 1970 when it acquired Jefferson Savings and Loan. This acquistion, along with increased deposits, moved Empire over the $214,000,000 mark in total resources for the first time. An increase in Empire's savings during the year also helped substantially increase operating income.

Empire, which is the fourth largest savings and loan association in the entire Rocky Mountain region, has the majority of its mortgages in the one- to four-family dwelling category. This helps account for its extremely low amount of past-due loans, averaging less than 1/10 of 1% of all loans outstanding over the last five years.

Besides providing complete savings and mortgage financing services, most Empire branch offices have a hospitality room that is in constant use as a meeting place by local clubs and organizations.

Central Bank Out-Paces Competition

Central Bank and Trust Company, now a $280,000,000 bank in terms of total assets, continued to out-pace other major Denver banks in 1970 in both growth of deposits and return on investment. Deposits rose more than $25,000,000 during the year, as the bank moved up eight places in national ranking to 248th largest in the country.

Specializing in retail services, Central Bank has more than 30,000 customers and is the fourth largest bank in Denver and in the state. It also plays a major role in the installment lending field, being the largest in the 10th Federal Reserve District and the 30th largest mortgage servicer in the country.

In 1970, ground was broken for the 600,000 sq. ft. Park Central office complex, which will house the Central Bank Plaza headquarters when completed early in 1973. Besides being a major tenant, the bank will be part owner of the structure, which is under construction directly across the street from its present offices. The complex is part of growing Denver's 22-block Skyline Urban Renewal project.

Expanding Financial Activities

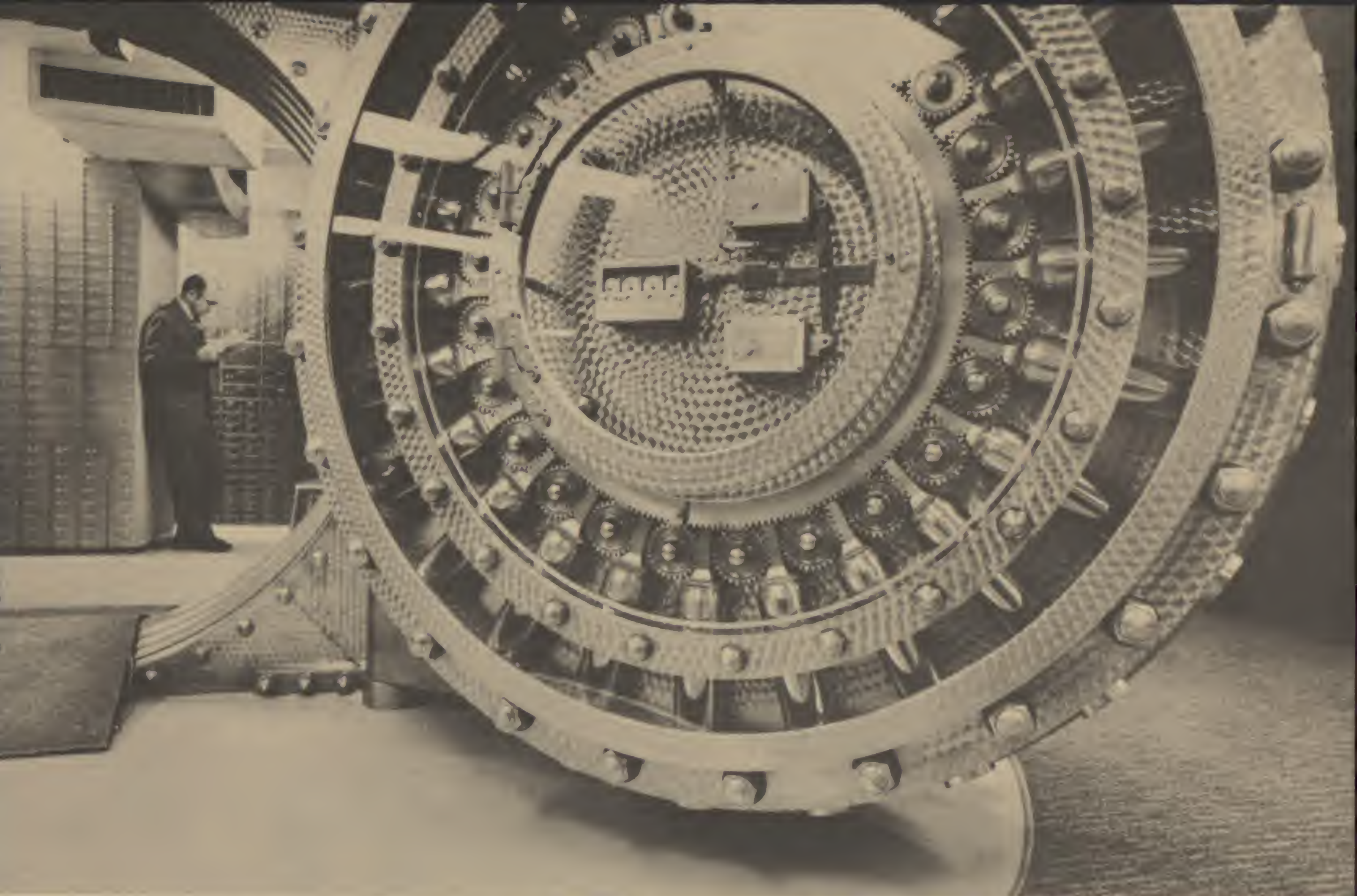
The Company's achievements in Financial Services were aided in 1970 by the first return on Baldwin's investment in National Farmers Union Service Corporation, an insurance holding company with activities in life, fire and casualty insurance.

The Company's long-established installment and dealer financing activities were broadened during the year through profitable development of the D. E. Pedlow & Company, a wholly-owned subsidiary performing specialized financial services in the fields of kitchen improvement lending and floor plan checking. These operations are conducted along the lines of the traditional mortgage broker and mortgage servicer.

Baldwin continues to draw on its nearly 100 years of experience in musical instrument installment financing to expand and adapt these skills to today's needs. Installment accounts are sold to other financial institutions on a non-recourse basis as an alternative to the conventional finance company, whose balance sheet traditionally shows much greater debt than exists in D. H. Baldwin.

While the Company does not break out profits between various areas of Financial Services, it is important for shareholders to recognize that all major areas of this field made significant contributions to Financial Services' total profit picture in 1970.

Empire Saving's President James E. Carpenter (left) and Branch Manager George P. Schreiber.




Empire Savings
BEAR VALLEY
BRANCH

Director of Manufacturing James A. Purdy (left) and Vice President James M. E. Mixter.

Education Key to Music Sales
Concentrating on education as the key to greater sales of pianos and organs, Baldwin took additional steps in 1970 to make group teaching methods more accessible and desirable. New Company-owned Music Centers were opened in Rochester, Milwaukee, and Pittsburgh. Each utilizes the Electropiano Laboratory teaching concept successfully developed by Baldwin over the past three years. Now the lab techniques are being applied, at retail level, for group teaching of both pianos and organs to children and adults. With its own experience in Company-owned retail operations, programs have been developed for dealers to use the same materials and methods.

Group Better Than One-To-One
A single instructor — with an assistant if the lab is a 24 place set up — can handle groups of 6 or more students at a time. Children enjoy being with others their own age and competing with them. They gain confidence from the group, in a setting similar to regular school classrooms. They learn the basics of music while acquiring performance skill, and in less time than the conventional one student-one teacher situation.

More Lessons Mean More Business
Baldwin's Music Education Division, an important adjunct to these innovations in group instruction, has a continuing program to develop effective materials and methods for use in the Music Center program and in labs already established by institutions or individuals. The Company is investing heavily in promotions to generate greater interest in music, to expand the Music Center concept, and thus to create a greater market for sales.

Trends and Tariffs
1970 was a year of decline and retrenchment in the musical instrument industry. Despite adverse conditions, Baldwin's share of market remained quite constant. Positive steps were taken to curb piano imports, and to halt scheduled and further reduction in the import duty on pianos. In a hearing before the U.S. Tariff Commission, led by D. H. Baldwin president, Morley Thompson, the National Piano Manufacturers Association presented the position of American manufacturers, especially in relation to low-cost Japanese pianos. Their petition was successful to the extent that the rate of 13.5% on vertical pianos will be maintained until 1973.

Moves and Plans in U.S.A.
During 1970, the Company moved grand piano assembly operations from Cincinnati to Conway, Arkansas, where some of the smaller grand pianos were already being built. This move is expected to result not only in manufacturing efficiencies and quality improvements but also in a reduction of operating costs in 1971. Two keyboard price increases during 1970 helped the financial picture, despite competitive difficulties. The manufacture of guitars, drums, and other instruments distributed by the Fred Gretsch Company was moved from Brooklyn, New York, to Booneville, Arkansas. Lower costs will result from this move.

Product Innovations
Our research program produced a number of exclusive features during 1970, designed to make Baldwin organs more fun, easier to play, and tonally more attractive than ever to prospective buyers. First and foremost was the moderately-priced WonderChord, so simple, yet fascinating, that beginners play chords, bass notes, and rhythm accompaniments with one finger, and right away. Acceptance of the WonderChord, from dealers and customers, points to good sales volume in 1971. During 1970, we introduced a popular course which utilizes cassette-tape lessons for organ beginners. Instruction book, arrangements, plus blank cassettes for re-play, for play-along, and just for listening are included. The Viva model Baldwin organ comes equipped with a cassette tape player-recorder. Other home entertainment models are designed to accept cassettes on special order. The convenience and privacy of self study at home — "learn at your own place at your own pace" — using cassette tapes and headphones, is particularly appealing to many adult purchasers. A unique invention called the "Baldwin Tone-Expander" has given a boost to the sale of church organs, to which it imparts a new dimension of tonal excellence.

Drive for International Sales
For the first time in our 108 year history, special Baldwin-built pianos were designed and imported into Europe. While organ production in our British and Canadian plants was terminated, instruments designed particularly to suit foreign tastes were developed and produced for export shipment from our U.S. factories. Our German subsidiary, C. Bechstein Pianofortefabrik, added a plant in Eschelbronn to its manufacturing facilities in West Berlin and Karlsruhe. This should help to increase the Company's share of the European piano market.

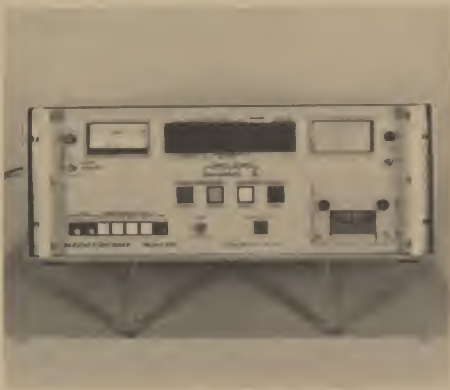
Vice President John F. Jordan (left) and General Manager George S. Brown.

Electronics for Consumers
Baldwin Electronics, like the music segment of the Company's business, was down in both sales and profits for the year 1970. U.S. Government orders continued to account for a substantial portion of total BEI activities, but expansion along new commercial lines marked the year's principal advances. Prominent among these was the development by El Paso based Quantrol Electronics of an array of photo cells, a light operated network of cells formed together on a single substrate. The array illustrated here replaces three ten position switches used to feed price information to a weighing scale. Another potential application of this photo electric technique is an automatic dimming rear vision automobile mirror.

Subsidiary Activities
In Little Rock, BEI's Hawkeye Security Systems has in work an ingenious and currently needed detection device which can transmit warning signals by radio — no wires, less expense — when programmed to react to fire, flood, smoke, breaking and entering, etc. Nine different phenomena can be detected, and instantly reported, in whatever order of priority is chosen — remarkable protection against accident, theft, or vandalism. (See illustration) Electron Emission Systems of Tucson is primarily engaged in making highly sophisticated circuitry for supersonic engines. KTI Company, for which BEI is sole supplier, designs and sells universal filters which BEI makes by the hybrid circuit technique.

Siliconix, California Affiliate
In the face of general decline in the electronics industry, Siliconix earnings for 1970 held up very well in comparison to 1969. With the move of the Wafer Processing group to the new building in Santa Clara — 70,000 square feet on a 29 acre site — work efficiency and communications improved noticeably. In a joint venture with Electrochimica Corporation, Menlo Park, Siliconix formed the Elca Battery Company, to make and sell mercury cadmium, silver cadmium, and non-aqueous lithium batteries. Siliconix Ltd., the U.K. plant in Swansea, Wales shows continuing profitable operations. During the third quarter, wholly owned subsidiary companies — Siliconix S.A.R.L. and Siliconix GmbH were formed to carry on limited responsibilities in France and Germany. The dissemination of technical information to engineers, through seminars and other meetings, rather than through purchasing agents, is a recently developed Siliconix program.

BEI and New Technologies
A great many opportunities exist today in the rapidly growing field of new technological devices and procedures. Success depends upon technical and manufacturing know-how, solid financial resources, and good sales capabilities. Very often, one or more of these essential ingredients is lacking. BEI is on constant alert for such opportunities. With corporate support, BEI is well qualified to pursue, locate, and develop in ventures involving some of the new technologies where profit opportunities can be very attractive.



Financial Review

From left, Secretary R. F. Coghill, Vice President and Treasurer R. S. Harrison and Controller Timothy P. Hartman

The Company's total corporate sales and gross revenues reached an all-time high of $119,557,000 in 1970. This was an increase of 33% over the $90,258,000 recorded in 1969. This record was attained despite a 12% drop in Musical Instrument sales from $49,663,000 to $43,497,000, as well as a reduction in Electronics sales, from $6,479,000 to $5,153,000. The record level of business was due to Baldwin's continued expansion and improved performance in Financial Services.

Earnings Top $5,000,000 Mark
Total corporate earnings reached $5,024,000 for the first time in 1970. This represents a 12% increase over the $4,494,000 recorded in 1969. Unconsolidated subsidiaries have been included on a net increase in equity basis, as shown in the profit and loss statement. Company earnings reflected the general decline in our music business with our banking, savings and loan and insurance operations returning approximately 100% of total profit.

Non-Recurring Expenses Were High
We have continued the accounting practice of not segregating charges to income for start up costs. These expenses were particularly significant in 1970 because expansion of production in Electronics and steps taken to improve our position in Musical Instruments brought about additional expenses. While there are always some costs of this nature, start up costs mentioned above reached the abnormally high total of approximately $605,000 in 1970.

Inventory Greatly Reduced
The Company substantially reduced its finished goods inventory of Musical Instruments during 1970, producing fewer units than were sold. Lowering production schedules below the sales rate substantially depressed our operating results in this segment of the business.

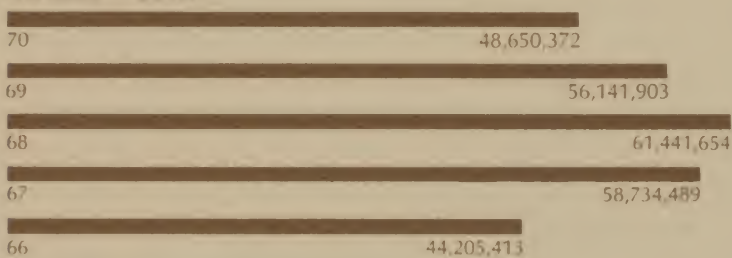
Short Term Debt Sharply Cut
During the year, the Company reduced its short term debt from $30,293,000 to $12,008,000, and improved its ratio of current assets to current liabilities. The Company has available and occasionally uses short-term borrowings to finance installment accounts receivables. These receivables, along with cash and marketable securities, amount to almost three times short term debt. During the year, Baldwin also reduced total inventories by $1,576,000 and lowered receivables by $22,361,000, the latter reflecting sales of installment accounts receivables to banks. Such sales are to be a normal and recurring part of our business, and it is anticipated that these will continue in 1971.

Total Capital Exceeds $48,000,000
Long-term debt was increased from $14,500,000 to $23,600,000. Earnings reinvested in the business were increased $2,694,000, bringing the total capital of the Company above the $48,000,000 level for the first time. The Company's marketable securities as of March 1, 1971 are approximately $500,000 in excess of their cost value as shown on the balance sheet.

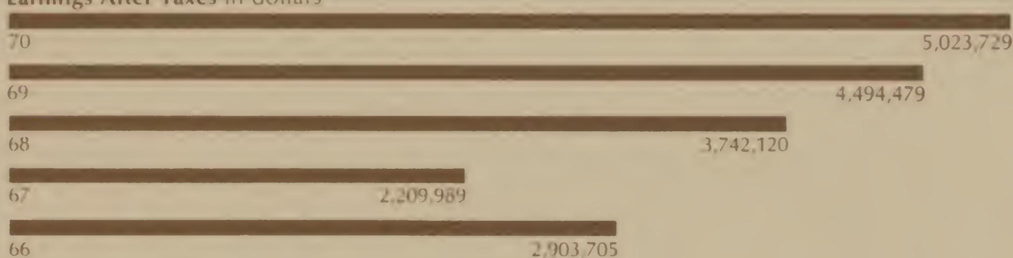
Dividend Record Maintained
Baldwin maintained its long record of continuous dividends by paying $1.20 per share, the same amount that has been in effect each full year since 1967. Payout percentage was 35%, which is in accordance with the Company's long-term average.

Total Sales and Revenues in dollars

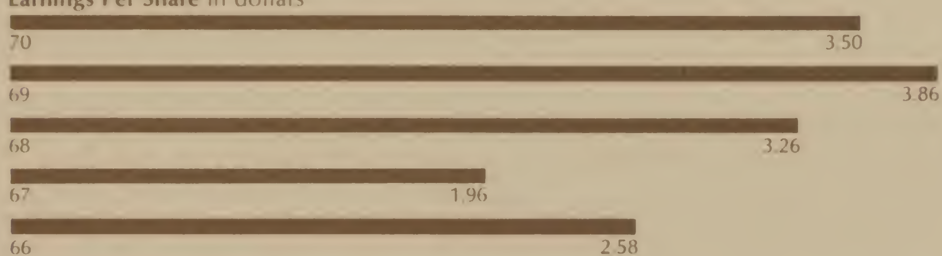
Net Sales in dollars



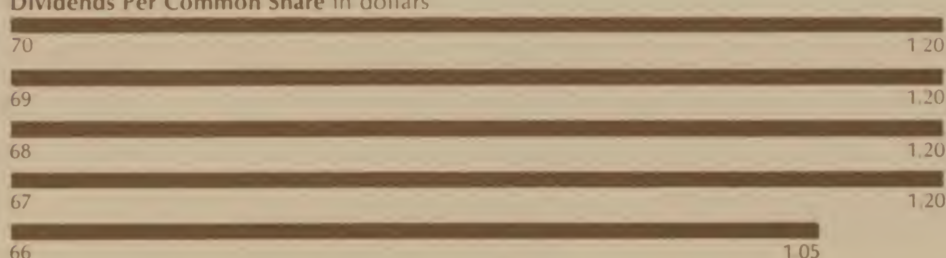
Earnings After Taxes in dollars



Earnings Per Share in dollars



Dividends Per Common Share in dollars



Ten Year Comparative Statement
D. H. Baldwin Company and Subsidiaries

in thousands of dollars	1970
Total Sales and Revenues	$119,557
Total Assets	618,693
Net Sales — Musical Instruments	43,497
Net Sales — Electronics	5,153
Net Sales — Total	48,650
Net Income for Year	5,024***
Per Common Share**	3.50***
Cash Dividends Paid on Common Stock	1,404
Per Common Share**	1.20
Annual Earnings Reinvested in the Business	2,694
Stockholders' Equity	48,479
Book Value Per Common Share**	29.11

*Includes the sale, on December 31, 1967, of inventory to the D. H. Baldwin Trust, amounting to $8,703,001.

**Adjusted for stock dividends and splits, expressed in dollars.

***Including net extraordinary credit in 1970 of $79,080 (equal to $.06 per share), net of tax.

1969	1968	1967	1966	1965	1964	1963	1962	1961
$ 90,258	$ 86,509	$ 61,891	$ 46,992	$ 41,544	$ 38,323	$ 35,379	$ 35,133	$ 34,566
549,408	474,287	67,157	59,975	47,997	43,406	35,830	34,223	30,126
49,663	51,126	53,376*	41,498	36,746	33,702	32,066	32,758	31,645
6,479	10,316	5,358	2,707	2,490	2,565	1,904	1,028	1,669
56,142	61,442	58,734	44,205	39,236	36,267	33,970	33,786	33,314
4,494	3,742	2,210	2,904	2,621	2,087	1,343	1,241	1,004
3.86	3.26	1.96	2.58	2.33	1.88	1.21	1.12	.90
1,396	1,378	1,356	1,181	1,032	606	551	482	413
1.20	1.20	1.20	1.05	.92½	.55	.50	.43¾	.37½
3,097	2,346	823	1,713	1,579	1,471	783	749	580
45,706	28,048	25,085	24,007	22,416	20,659	19,188	18,405	17,656
26.83	24.17	22.02	21.29	19.90	18.59	17.26	16.55	15.87

D. H. Baldwin Company and Subsidiaries
Consolidated Balance Sheet

December 31, 1970 with comparative figures for 1969

Assets	1970	1969
Current assets:		
Cash	$ 4,935,416	$ 4,210,962
Marketable securities, at cost which approximates market value (note 2)	3,437,089	9,032,723
Receivables, less allowance for possible losses $1,062,023 ($964,152 in 1969) (notes 3 and 11)	22,570,441	44,931,163
Inventories (note 4):		
Finished goods	7,621,969	7,789,422
Work in process	5,542,107	5,642,271
Raw materials	5,064,794	6,373,518
Total inventories	18,228,870	19,805,211
Prepaid expenses	1,565,890	1,377,288
Total current assets	50,737,706	79,357,347
Investments, advances and other assets (notes 1 and 5)	39,875,225	17,849,617
Property, plant and equipment, at cost (note 6):		
Land	522,839	518,638
Buildings	4,633,188	4,806,039
Machinery and equipment	6,793,630	5,955,828
Leasehold improvements	1,110,169	985,195
	13,059,826	12,265,700
Less accumulated depreciation	6,727,611	6,922,375
Net property, plant and equipment	6,332,215	5,343,325
Intangibles, at cost less amortization	363,292	427,553
	$97,308,438	$102,977,842

See accompanying notes to consolidated financial statements.

Liabilities and Stockholders' Equity	1970	1969
Current liabilities:		
Notes payable (note 2)	$12,008,179	$ 30,293,304
Long-term debt, current portion	900,000	900,000
Accounts payable	3,070,032	1,488,841
Accrued liabilities	3,006,523	2,727,886
Dealers' commissions	1,404,677	1,428,693
Taxes on income (note 7)	3,190,239	3,814,092
Total current liabilities	23,579,650	40,652,816
Long-term debt, less current portion (note 8)	23,600,000	14,500,000
Other non-current liabilities	1,648,795	2,119,318
Stockholders' equity (notes 7, 8, and 9):		
Capital stock:		
Series A 5% cumulative convertible preferred, par value $108 per share. Authorized 76,046.5 shares, issued 67,646 shares (68,301 in 1969)	7,305,795	7,376,511
Series B 8% cumulative preferred, par value $100 per share. Authorized 144,138 shares; issued 71,079 shares (70,372 in 1969)	7,107,927	7,037,211
Common, without par value. Authorized 4,000,000 shares; issued 1,178,646 shares at stated value (1,168,851 in 1969)	4,714,584	4,675,404
Earnings capitalized and other additions to capital	1,546,353	1,318,395
Earnings reinvested in the business	28,086,103	25,391,965
	48,760,762	45,799,486
Less: Cost of 5,165 common shares in treasury (2,386 in 1969)	182,127	93,778
Cost of 986 Series B preferred shares in treasury	98,642	—
Total stockholders' equity	48,479,993	45,705,708
Commitments and contingencies (note 11)		
	$97,308,438	$102,977,842

D. H. Baldwin Company and Subsidiaries
Consolidated Statement of Income

Year ended December 31, 1970 with comparative figures for 1969

	1970	1969
Music		
Net sales	$43,497,001	$49,663,299
Other revenues	927,780	939,672
	44,424,781	50,602,971
Expenses:		
Cost of products sold	31,562,383	36,240,877
Selling and administrative	11,170,476	11,979,250
Interest	1,694,934	1,235,558
Federal income taxes (credit)	(41,000)	589,000
	44,386,793	50,044,685
Music net income	37,988	558,286
Financial Services		
Income from installment receivables (note 3)	5,071,072	3,539,586
Equity increase in unconsolidated subsidiaries (note 1)	4,621,921	3,207,190
	9,692,993	6,746,776
Expenses:		
Interest	2,837,849	1,904,237
Operating expenses	2,197,700	1,394,584
Federal income taxes (credit)	(96,000)	84,000
	4,939,549	3,382,821
Financial services net income	4,753,444	3,363,955
Electronics		
Net sales	5,153,371	6,478,604
Equity increase in Siliconix incorporated — joint venture (note 5)	209,083	200,052
	5,362,454	6,678,656
Expenses:		
Cost of products sold	3,976,516	4,541,378
Selling and administrative	1,156,071	1,151,616
Interest	144,650	249,424
Federal income taxes (credit)	(68,000)	164,000
	5,209,237	6,106,418
Electronics net income	153,217	572,238
Net income for year before extraordinary items	4,944,649	4,494,479
Extraordinary items, net of applicable Federal income taxes of $167,000:		
Income resulting from sale of installment receivables (note 11)	500,715	—
Loss on discontinuance of certain plant operations	421,635	—
Net extraordinary items	79,080	—
Net income for year	$ 5,023,729	$ 4,494,479
Primary income per common share (note 9):		
Net income for year before extraordinary items	$3.44	$3.86
Extraordinary items, net of tax	.06	—
Net income for year	$3.50	$3.86
Fully diluted income per share —		
Net income for year	$3.38	$ —

See accompanying notes to consolidated financial statements.

D. H. Baldwin Company and Subsidiaries
Consolidated Statement of Stockholders' Equity
Year ended December 31, 1970

	Common stock	Common treasury shares	Earnings capitalized and other additions to capital	Earnings reinvested in the business
Balance at beginning of year	$4,675,404	$ 93,778	$1,318,395	$25,391,965
Net income	—	—	—	5,023,729
Cash dividends:				
Preferred stock:				
Series A, $5.40 per share	—	—	—	(366,409)
Series B, $8.00 per share	—	—	—	(558,970)
Common stock — $1.20 per share	—	—	—	(1,404,212)
Issuance of 9,695 shares under employee stock purchase plan (note 9)	38,780	—	225,003	—
Issuance of 100 shares under stock option plan (note 9)	400	—	2,894	—
Purchase of 2,882 shares for Treasury	—	91,507	—	—
Sale of 103 shares from Treasury	—	(3,158)	61	—
Balance at end of year	$4,714,584	$182,127	$1,546,353	$28,086,103

See accompanying notes to consolidated financial statements

Consolidated Statement of Source and Application of Funds
December 31, 1970 with comparative figures for 1969

	1970	1969
Source of Funds		
Net income	$ 5,023,729	$ 4,494,479
Less equity increase in unconsolidated subsidiaries and joint venture	(4,831,004)	(3,407,242)
Depreciation and amortization	915,089	1,018,111
Issuance of long-term debt	10,000,000	10,000,000
Issuance of stock:		
Preferred	—	14,413,722
Common	267,077	175,298
Assumption of non-current liability of acquired company	—	645,454
	$ 11,374,891	$27,339,822
Application of Funds		
Dividends	$ 2,329,591	$ 1,396,985
Increase in investments, advances and other assets	17,194,604	649,189
Additions to property, plant and equipment, net	1,839,717	1,415,924
Payments on long-term debt	900,000	900,000
Decrease in other non-current liabilities	470,523	584,136
Treasury stock transactions	186,930	28,508
Net increase (decrease) in working capital	$ (11,546,474)	$22,365,080
	$ 11,374,891	$27,339,822

1. Principles of consolidation: The consolidated financial statements include the accounts of the Company and all of its significant subsidiaries since dates of acquisition or organization, except Baldwin-Central, Inc. (a holding company) and its subsidiaries. The investments in unconsolidated subsidiaries and Siliconix incorporated (see note 5) are carried at cost ($21,923,770) plus the Company's portion of changes in their net assets ($9,641,965) since dates of acquisition or organization.

On January 1, 1970, Baldwin-Central acquired from National Farmers Union Service Corporation (Service), an insurance holding company, a $14,750,000 convertible bond due in 1992, in exchange for $1,146,000 cash and a $13,604,000 promissory note, payable in installments of varying amounts until 1992 and bearing interest at 8%. In October, 1970, Baldwin-Central, Inc. converted the bond into convertible, participating, cumulative preferred stock of Service. The preferred stock may be converted into 90% of the outstanding common stock of Service at Baldwin-Central's option until January 1, 1975, as of which date conversion into common stock is mandatory. In view of the above and certain related agreements, Baldwin-Central has recorded, for accounting purposes, the investment in Service as a purchase of a subsidiary.

Baldwin-Central has pledged the capital stock of its subsidiary, The Central Bank and Trust Company of Denver, as security for a note payable. Under terms of the loan agreement, the Company's wholly-owned subsidiary, Baldwin-Central, is not permitted to declare or pay any dividends, other than dividends payable solely in its common stock.

2. Marketable securities: Marketable securities having a book value of $3,309,327 are pledged as security for the loan of certain assets of $2,785,338.

3. Installment receivables: Installment accounts receivable of $16,313,210 at December 31, 1970, in most cases, extend over a three to five year period. It is not practicable to determine the amount of such installment receivables not due within one year. Carrying charges, on installment receivables with unpaid balances aggregating $14,029,239 at December 31, 1970, arising from the sale of musical instruments are taken into income on the straight-line basis as the cash is received over the term of the contract. Installment accounts accepted from musical instrument dealers are with full recourse. Acquisition costs on such paper are expensed as incurred.

4. Inventories: Inventories are stated at the lower of cost (first-in first-out) or market (replacement) with the exception that the valuation of work in process includes no manufacturing overhead costs. The omission of this overhead had no material effect on net income.

Certain finished goods, amounting to approximately $13,000,000 at December 31, 1970 ($14,000,000 at December 31, 1969), have been sold to a trust and shipped on consignment to dealers. In accordance with generally accepted accounting practice, the Company does not record the difference between the price musical instruments are sold to the trust and the price the trust sells the instruments to the dealers until the instruments are sold by the dealers. The difference between the prices of instruments sold to the trust and the prices in effect to dealers at December 31, 1970 amounted to approximately $2,900,000.

5. Siliconix incorporated: Included in investments, advances and other assets at December 31, 1970 is the Company's investment amounting to $1,556,000 (cost of $900,000 and equity increase of $656,000) in 465,898 shares of Siliconix incorporated stock (including 462,258 shares used as an equity contribution to a joint venture) representing approximately 28½% of Siliconix' outstanding stock. The average of the bid and ask price per share of the Siliconix stock at December 31, 1970 on the over-the-counter market was $8.56.

6. Property, plant and equipment: On a majority of property, plant and equipment acquired new, the Company's policy is to provide for depreciation according to the sum-of-the-years-digits method. For all other items the straight-line method is used. Depreciation aggregated $850,826 in 1970 and $751,980 in 1969.

7. Taxes on income: Deferred income taxes arising principally from installment sales have been included in current liabilities. These taxes become payable in future years as payments are received from customers. As long as the Company remains on the installment method under current income tax laws, and sales volume and profit margins do not decrease, the deferred taxes of approximately $2,270,000 at December 31, 1970 applicable to profits on products sold on the installment basis will continue to be deferred.

The provision for Federal income taxes of the Company and its consolidated subsidiaries represents a deferred tax benefit of $38,000. In 1969 a deferred tax provision of $806,000 was provided.

Included in the Company's earnings reinvested in the business at December 31, 1970 is $1,787,000 appropriated for general reserves by The Empire Savings, Building and Loan Association (subsidiary of Baldwin-Central, Inc.) since its acquisition which represent bad debt deductions for which no Federal income tax has been provided. If, in the future, these reserves are charged for any purpose other than to absorb bad debt losses, a tax liability will be imposed at the then current Federal income tax rates.

8. Long-term debt consists of the following:

Notes payable bearing a variable interest rate of 1½% above the six month rate at which United States dollars are offered to prime banks in the London Interbank Market, payable $2,000,000 annually 1974 through 1976, final payment of $4,000,000 due February 18, 1977	$10,000,000
Notes payable bearing a variable interest rate of 1% above the average interest rates at which the participating banks' London offices are able to acquire United States dollars, payable $1,000,000 semi-annually beginning June 30, 1972, with final payment due on June 30, 1974	5,000,000
8⅜% note, payable $1,000,000 annually 1973 through 1975; final payment of $2,000,000 due June, 1976	5,000,000
5% note, payable $900,000 annually through 1975	4,500,000
	$24,500,000
Less current portion	900,000
	$23,600,000

The 5% note agreement contains certain restrictions relating to the payment of cash dividends on common stock, and

provides, among other things, that the Company maintain working capital (as defined) of at least $18,000,000. At December 31, 1970, approximately $2,458,000 of earnings reinvested in the business was free of these restrictions.

9. Capital stock: At December 31, 1970, 150,635 shares of common stock were reserved for conversion of the Series A convertible preferred stock. Further, 41,698 shares of common stock were reserved for sale to the Company's employees and for the granting of options under the stock option plan. Under the stock option plan, options may be granted to certain employees to purchase common stock of the Company at a price not less than the market value on the date of granting. All outstanding options at December 31, 1970 were exercisable. Stock options granted and exercised during the year and outstanding at the end of the year are as follows:

	Shares	Option price per share
Options granted	9,200	$26.00 and $48.75
Options exercised	100	$32.94
Options outstanding	36,300	$26.00 - $48.75

Each share of the Series A preferred stock is convertible into either 1.08 shares of Series B preferred or 2.2 shares of common stock. Both series of preferred have voting rights.

During 1970, 655 shares of Series A preferred stock were converted into 707 shares of Series B preferred stock, and 986 shares of Series B preferred were reacquired and held as treasury shares at December 31, 1970.

Net income per common share has been computed based on the weighted average number of shares outstanding during the year, after consideration of preferred dividend requirements. Fully diluted income per common share has been computed assuming conversion of the Series A preferred stock and elimination of the dividend requirement thereon.

10. Pension plan: The Company maintains pension plans for certain union employees and all other eligible employees. The Company accrues all actuarially determined costs, including amortization of past service costs over periods ranging from 25 to 40 years. The Company has funded in excess of the minimum contribution requirements as actuarially determined under the plans. Pension expense for the year amounted to $372,000 ($454,000 in 1969). There are no material amounts of unfunded vested benefits.

11. Commitments and contingencies: During 1970, the Company sold its interest in $29,028,000 of installment accounts receivable, including unearned carrying charges, having a book value of $18,903,615, net of the Company's retained equity therein. Income resulting from the sale of carrying charges in the amount of $500,715 net of applicable Federal income taxes, has been reflected as an extraordinary credit in the accompanying consolidated statement of income. Under terms of certain agreements for sale of installment receivables, the Company is obligated to repurchase accounts which may become delinquent up to the maximum amount of its retained equity therein ($3,786,000 at December 31, 1970). Under another agreement for the sale of installment receivables with unpaid balances aggregating $5,000,000 the Company is obligated to substitute new paper in the event any account becomes delinquent. Management is of the opinion that adequate provision has been made in the financial statement for losses, if any, arising from the re-acquisition of such paper.

At December 31, 1970, total minimum annual rentals (exclusive of amounts based on sales) payable under leases expiring on various dates to 1985, and rent expense for 1970 and 1969 amounted to approximately $783,000 and $905,000 respectively.

Accountants' Report

The Board of Directors and Stockholders
D. H. Baldwin Company:

We have examined the consolidated balance sheet of D. H. Baldwin Company and subsidiaries as of December 31, 1970, and the related statements of income and stockholders' equity and the statement of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of National Farmers Union Service Corporation and subsidiaries, which statements were examined by other independent certified public accountants whose report has been furnished to us.

In our opinion, based upon our examination and the aforementioned report of other independent certified public accountants, the accompanying consolidated balance sheet and consolidated statements of income and stockholders' equity present fairly the financial position of D. H. Baldwin Company and subsidiaries at December 31, 1970, and the results of their operations (by group) for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, based upon our examination and the report of other independent certified public accountants, the accompanying statement of source and application of funds for the year ended December 31, 1970 presents fairly the information shown therein. We have also made a similar examination of the balance sheet and related statement of income and earnings reinvested in the business of Baldwin-Central, Inc. as of and for the year ended December 31, 1970, and, in our opinion, based upon our examination and the report of other independent certified public accountants, such financial statements present fairly the financial position of Baldwin-Central, Inc. at December 31, 1970, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Cincinnati, Ohio
February 26, 1971

Baldwin-Central, Inc.
(a wholly-owned subsidiary of D. H. Baldwin Company)

Balance Sheet
December 31, 1970 with comparative figures for 1969

	1970	1969
Assets		
Cash	$ 251,094	$ 70,945
Investments (notes 1, 2 and 4):		
Capital stock of subsidiaries	56,617,668	36,505,906
Joint venture	—	1,336,577
Subordinated capital debenture of subsidiary bank	3,000,000	3,000,000
Total investments	59,617,668	40,842,483
Other assets, including $948,476 due from subsidiaries in 1970	955,786	68,601
	$60,824,548	$40,982,029

	1970	1969
Liabilities and Stockholder's Equity		
Liabilities:		
Notes payable (notes 1 and 2)	$22,607,000	$22,000,000
Amount due parent company	7,593,979	1,616,597
Other liabilities	327,812	1,954,273
Total liabilities	30,528,791	25,570,870
Stockholder's equity (notes 2, 5 and 6):		
Common stock without par value. Authorized 10,000 shares; issued 6,912 shares at stated value (3,578 in 1969)	20,736,000	10,734,000
Earnings reinvested in the business	9,559,757	4,677,159
Total stockholder's equity	30,295,757	15,411,159
	$60,824,548	$40,982,029

Statement of Income and Earnings Reinvested in the Business
Year ended December 31, 1970 with comparative figures for 1969

	1970	1969
Equity increase in investments (note 1)	$ 6,441,354	$ 4,530,075
Expenses:		
Interest	2,904,882	2,248,345
Administrative and other	212,474	9,816
	3,117,356	2,258,161
Net income before Federal income tax credit	3,323,998	2,271,914
Federal income tax credit (note 3)	1,558,600	1,187,000
Net income	4,882,598	3,458,914
Earnings reinvested at beginning of year	4,677,159	1,218,245
Earnings reinvested at end of year	$ 9,559,757	$ 4,677,159

See accompanying notes to financial statements.

1. Investments: The Company owns in excess of 99% of the issued capital stock of The Central Bank and Trust Co. and The Empire Savings, Building and Loan Association, both of Denver, Colorado.

On January 1, 1970, the Company acquired from National Farmers Union Service Corporation (Service), an insurance holding company, a $14,750,000 convertible bond due in 1992, in exchange for $1,146,000 cash and $13,604,000 promissory note, payable in installments of varying amounts until 1992, of which $997,000 was paid in 1970 and $957,000 is due in 1971, and bearing interest at 8%. In October, 1970, the Company converted the bond into convertible, participating, cumulative preferred stock of Service. The stock may be converted into 90% of the outstanding common stock of Service at the Company's option until January 1, 1975, as of which date conversion into common stock is mandatory. In view of the above and certain related agreements the Company has recorded, for accounting purposes, the investment in Service as a purchase of a subsidiary.

Effective September 1, 1969, the Company entered into a contract to acquire Jefferson Savings and Loan Association of Denver, Colorado for $1,700,000. In 1970, the Company received approval from the regulatory authorities to consummate the acquisition, and as of November 30, 1970, Jefferson was merged into Empire. The operations of Jefferson for 1970 have been pooled with those of Empire. In connection with the merger of Jefferson with Empire, the Company and D. H. Baldwin have agreed that, if necessary, they shall invest sufficient additional equity capital in Empire or Empire will sell assets and repay borrowings so that on or before December 31, 1973, the net worth of Empire will equal 7% of its savings accounts plus borrowings. In addition, Empire may not pay dividends on its capital stock until such requirement is met, or whenever dividend payments would reduce Empire's net worth below 7% of savings accounts plus borrowings. At December 31, 1970, the net worth of Empire was approximately 6.4% of its savings accounts plus borrowings.

The Company's portion of the equity increase in its investments since dates of acquisition has been included in the Company's income statement. The reconciliation of the subsidiaries' net income, plus the Company's portion of equity increase of the Siliconix joint venture ($128,885 in 1970 and $201,521 in 1969) until date of sale to D. H. Baldwin as of June 30, 1970, to the equity increase reported by the Company for the two years ended December 31, 1970 is as follows:

	1970	1969
Equity increase of subsidiaries and joint venture before minority interest	$4,022,896	$3,384,000
Less minority interest	87,204	11,798
	3,935,692	3,372,202
Add (deduct) adjustments to statutory changes in equity and those adjustments arising from allocation of purchase price as of dates of acquisition:		
Discounts earned on loans and investment securities	1,776,273	1,327,064
Adjustment of life insurance reserves and equity in unearned premiums, net of related income tax	419,462	—
Depreciation	72,794	74,161
Federal income tax benefit from purchased loss carryforward	(107,100)	—
Amortization of premium on mortgages payable and debentures	(39,344)	(35,307)
Net realized losses incurred on life insurance company	(37,220)	—
Gain on sale of land	—	(208,045)
	2,084,865	1,157,873
Elimination of loss on intercompany sale of investment securities	420,797	—
Equity increase applicable to Company	$6,441,354	$4,530,075

The Company's costs exceeded its share of the fair value of subsidiaries at acquisition by $23,621,000. This amount is not being amortized as management believes its value has not diminished.

2. Note payable to banks: Note payable to banks amounting to $10,000,000 at December 31, 1970, is payable in annual installments due on October 15, of $1,000,000 in 1971 and 1972, $1,500,000 in 1973 and 1974 and $5,000,000 in 1975, bearing interest at 1/2 of 1% above the prime rate, as defined in the agreement. The Company's investment in capital stock of Central Bank has been pledged as security on the loan. Under the loan agreement, the Company is not permitted to declare or pay any dividends, other than dividends payable solely in its common stock and it also contains restrictions as to creation of new indebtedness and the purchase of new investments for cash. The Company has the option to prepay the note without penalty.

3. Federal income tax credit: The operations of the Company, Central Bank and Empire are included in the consolidated income tax returns filed by D. H. Baldwin Company. Federal income taxes computed on a separate return basis have been provided for Central Bank and Empire, and a tax benefit of $1,558,600 ($1,187,000 in 1969) has been allocated to the Company.

4. Subordinated capital debenture: Under an agreement with Central Bank, the Company has agreed to pay the Bank $3,000,000 on or before July 1, 1973 for the purpose of increasing the Bank's capital. This obligation may be fulfilled by the Company by exchanging the subordinated non-interest bearing debenture, due Baldwin-Central, Inc. in 1973, in the amount of $3,000,000 presently owned by the Company for capital stock of the Bank.

5. Restrictions on subsidiaries undivided profits: Savings and loan associations that meet certain definitions and other conditions prescribed by the Internal Revenue Code are allowed to deduct, within limitations, appropriations for general reserves in arriving at taxable income. Accordingly, Empire has appropriated approximately $9,700,000 through December 31, 1970, including a current appropriation of approximately $1,075,000 ($755,000 in 1969), for which no Federal income tax has been provided. If, in the future, these reserves are charged for any purpose other than to absorb bad debt losses, a tax liability will be imposed at the then current Federal income tax rates.

The regulations of the Federal Savings and Loan Insurance Corporation and Colorado law require Associations to maintain general reserves which may be charged for losses only. Such requirements have been met. Included in earnings reinvested in the business of the Company is $970,046 at December 31, 1970 and $741,750 at December 31, 1969 appropriated to such reserves by Empire since date of acquisition by the Company.

Provisions of a subordinated capital debenture of the Central Bank, restricts the Bank from paying cash dividends if such payments after January 3, 1964 would exceed the total net income after January 1, 1964, or if after such payments, undivided profits would be less than $1,000,000. At December 31, 1970, $3,225,850 of the Bank's undivided profits was available for cash dividends.

6. Common stock: In 1970, the Company increased its authorized number of common shares from 5,000 to 10,000 shares, and sold 3,334 shares to D. H. Baldwin Company for $3,000 per share.

7. Supplementary financial information: The summaries of financial statements of The Central Bank and Trust Company, The Empire Savings, Building and Loan Association and National Farmers Union Service Corporation, are presented herein. The summary of consolidated financial statements of National Farmers Union Service and subsidiaries differ from those filed in the annual report to the Securities and Exchange Commission in that the financial statements filed with the Securities and Exchange Commission are not consolidated, and the individual statements of insurance subsidiaries are presented on a statutory basis. The consolidated net income of Service and subsidiaries included in the summary of statement of operations has been increased by $814,658 to adjust net income in accordance with generally accepted accounting principles and to reflect the allocation of purchase price to the consolidated net assets of Service as of the date of acquisition by the Company.

The difference is summarized as follows:

Discounts earned on loans and investment securities	$508,945
Adjustment of life insurance reserves and equity in unearned premiums, net of related income tax	466,069
Tax benefit from purchased loss carryforward	(119,000)
Net realized losses incurred	(41,356)
	$814,658

Summary of Statement of Condition

December 31, 1970 with comparative figures for 1969 (in thousands of dollars)

	1970	1969
Assets		
Cash and due from banks	$ 61,971	$ 61,676
Investment securities, at amortized cost (market value $36,440 and $29,495, respectively)	37,430	33,178
Federal funds sold	9,100	3,400
Loans, less unearned discount	164,998	159,192
Bank premises and equipment, at cost less depreciation	3,295	3,479
Other assets	2,836	2,621
	$279,630	$263,546
Liabilities and Capital Funds		
Liabilities:		
Deposits	$236,963	$209,624
Federal funds purchased	9,400	13,950
Other liabilities	8,985	16,446
Total liabilities	255,348	240,020
Reserve for possible loan losses	2,760	2,760
Capital funds (including subordinated capital debentures of $5,800 and $6,000, respectively)	21,522	20,766
	$279,630	$263,546

Summary of Statement of Income

Year ended December 31, 1970 with comparative figures for 1969 (in thousands of dollars)

	1970	1969
Operating income	$ 18,290	$ 16,713
Operating expenses	15,164	13,576
Income before income taxes, securities gains and extraordinary items	3,126	3,137
Income taxes:		
Current	888	643
Deferred	347	625
	1,235	1,268
Income before securities gains	1,891	1,869
Securities gains less applicable income tax effect	132	3
Income before extraordinary item	2,023	1,872
Gain on sale of land less applicable income tax effect	—	208
Net income	$ 2,023	$ 2,080

This summary is based upon audited financial statements, which are available upon request.

Summary of Statement of Condition

December 31, 1970 with comparative figures for 1969 (in thousands of dollars)

	1970	1969 (Restated)
Assets		
Cash	$ 4,072	$ 4,858
Investment securities, at cost (market value $9,481 and $6,956, respectively)	9,455	7,820
Stock in Federal Home Loan Bank of Topeka, at cost	3,027	2,115
First mortgage loans on real estate	192,629	166,410
Home and branch offices, buildings and equipment, at cost less depreciation	3,092	2,977
Other assets	1,933	1,964
	$214,208	$186,144
Liabilities and Stockholders' Equity		
Liabilities:		
Savings accounts	$149,668	$137,202
Loans in process	8,444	5,757
Advance payments by borrowers	6,228	5,739
Advances from Federal Home Loan Bank	36,238	25,284
Other liabilities	315	238
Total liabilities	200,893	174,220
Income deferred to future operations	1,362	1,050
Stockholders' equity, including undivided profits appropriated for general reserves of $8,804 and $8,575, respectively	11,953	10,874
	$214,208	$186,144

Summary of Statement of Operations

Year ended December 31, 1970 with comparative figures for 1969 (in thousands of dollars)

	1970	1969 (Restated)
Income	$ 14,134	$ 11,590
Expenses	12,770	10,124
Income before income taxes	1,364	1,466
Income taxes	285	293
Net income	$ 1,079	$ 1,173

This summary is based upon audited financial statements, which are available upon request. Figures for 1969 have been restated from amounts previously reported to reflect the merger of Jefferson Savings and Loan Association with Empire on November 30, 1970, in a pooling of interests.

Directors

Gordon Adamson
Vice President
Baldwin Piano & Organ Company

Max G. Brooks
Chairman of the Board
The Central Bank and Trust Company
Denver, Colorado

Fred Gretsch, Jr.
President & Director
The Fred Gretsch Company, Inc.
Brooklyn, New York

William M. Hickey
President & Director
The United Corporation
New York, New York

John F. Jordan
Vice President

Lawrence H. Kyte
Partner, Law Firm of
Kyte, Conlan, Wulsin & Vogeler
Cincinnati, Ohio

William A. Mitchell
Retired-Former Chairman of the Board
The Central Trust Company
Cincinnati, Ohio

James M. E. Mixter
Vice President

A. J. Schoenberger
Retired-Former Senior Vice President

Morley P. Thompson
President

Eugene Wulsin
President
The Baldwin Piano Company
(Canada) Limited

Lucien Wulsin
Chairman of the Board

Robert E. Fanning
Retired-Director Emeritus

Philip Wyman
Retired-Director Emeritus

Officers

Lucien Wulsin, Chairman of the Board
Morley P. Thompson, President
John F. Jordan, Vice President
James M. E. Mixter, Vice President
Eugene Wulsin, Vice President
R. S. Harrison, Vice President & Treasurer
R. F. Coghill, Secretary
Timothy P. Hartman, Controller
L. H. Ellis, Assistant Secretary
James E. Schwab, Assistant Treasurer
Donald E. Waggoner, Assistant Secretary

General Offices

Cincinnati, Ohio

Subsidiaries

Baldwin Piano & Organ Company
The Baldwin Piano Company (Canada) Limited
Baldwin Electronics, Inc.
  Electron Emission Systems, Inc.
  Quantrol Electronics, Inc.
Baldwin Export Corporation
C. Bechstein Pianofortefabrik AG
The Baldwin Company
The Fred Gretsch Company, Inc.
Baldwin-Central, Inc.
  The Central Bank and Trust Company
  Empire Savings, Building and Loan Association
D. E. Pedlow & Company

Manufacturing Plants

Arkansas: Booneville, Camden, Conway,
DeQueen, Fayetteville, Little Rock
Mississippi: Greenwood
Ohio: Cincinnati
West Germany: West Berlin, Karlsruhe, Eschelbronn

Affiliate

Siliconix incorporated

Dealers or Company-Owned Sales Outlets

In all principal cities in the
United States, and abroad

Transfer Agents and Registrars

The Central Trust Company, Cincinnati
  Transfer Agent and Registrar
Manufacturers Hanover Trust Company, New York
  Transfer Agent
First National City Bank, New York
  Registrar

Baldwin-Central Inc.—Investment in

National Farmers Union Service Corporation and Subsidiaries
(Consolidated Insurance Operations)

Summary of Balance Sheet

December 31, 1970 (in thousands of dollars)

Assets	
Investments in securities (market value $28,625)	$29,309
Mortgage loans on real estate	6,467
Cash	1,216
Notes and accounts receivable	1,665
Equity in unearned premiums	2,220
Property and equipment, net of depreciation	562
Other assets	2,189
	$43,628
Liabilities and Stockholders' Equity	
Liabilities:	
Policy reserves and related items	$14,956
Reserves for losses and loss adjustment expenses	8,236
Unearned premiums	7,466
Accounts payable and other liabilities	2,187
Current and deferred income taxes	1,287
Total liabilities	34,132
Stockholders' equity:	
Preferred stock	14,750
Common stock	750
Contributed capital	146
Retained earnings (deficit)	(6,150)
	9,496
	$43,628

Summary of Statement of Operations

Year ended December 31, 1970 (in thousands of dollars)

Revenues:	
Life and health premiums	$ 8,350
Property and casualty premiums	18,602
Investment income, net	2,765
	29,717
Insurance benefits and expenses:	
Life and health benefits	5,303
Property and casualty losses	12,717
Commissions, taxes and other operating expenses	8,114
	26,134
Net operating income	3,583
Realized losses on investments	51
	3,532
Less policyholders' dividends	457
Net income before income taxes	3,075
Federal income taxes:	
Current	82
Deferred	1,387
	1,469
Net income	$ 1,606

This summary is based upon audited financial statements, which are available upon request.